Agricorp

Annual Report

2004 – 2005

Making Connections

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Agricorp Annual Report 2004-5

Agricorp partners with government and industry to deliver programs that help the Ontario agri-food sector manage risks. The organization has earned a reputation for proactive, reliable, customer-focused service in delivering programs that help producers remain financially secure, retain current markets and reach new ones.

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"By remaining professional, proactive, efficient, quality-focused and collaborative, we will continue to succeed in connecting producers with programs."

- Mr. Randy Jackiw
Chief Executive Officer

Our Vision, Mission, and Strategic Objectives

Our Vision

To be the recognized providers of agricultural risk management products.

Our Mission

- We deliver peace of mind. We contribute to Ontario's outstanding reputation, both nationally and internationally, by helping our customers manage risk.
- Delivery is our strength. We bring to our work integrity, dedication, knowledge and a passion for excellence.
- Our people are the foundation of our success. We nurture and challenge one another as individuals to continuously learn and grow.
- We provide exceptional customer service. We strive to satisfy our customers' needs through timely, knowledgeable and courteous assistance.
- We invest in the future of the agricultural community. As a good corporate citizen, we actively support our community in becoming a better place to live, work and prosper.

Our Strategic Objectives

Agricorp focuses on five strategic themes and objectives to ensure our continued success.

Strategic Theme	Objective
Customer Service	To recognize, respect and satisfy the needs of our customers.
Our People	To provide a dynamic environment, enriched by diversity and open communication and characterized by respected and committed employees.
Community	To be recognized as a contributor who supports a strong community for our employees and our customers.
Delivery	To further enhance Agricorp's reputation and capacity as the delivery agent of choice when it comes to helping customers reach their goals.
Product/Market Commitment	To be a partner in developing relevant, innovative products and services that help our customers reduce the risk inherent in agriculture.

Connecting Producers with Programs

Agricorp is the trusted and efficient partner in delivering products and services that help manage agricultural risk. With its excellent customer service and reliable, cost-effective delivery, Agricorp has received national and international recognition.

As an agency of the Ontario government, Agricorp delivers government and non-government risk management programs.

Agricorp has built a strong reputation for being customer-focused and working collaboratively with industry to deliver more effective products and government programs aimed at managing risks. The organization's expertise in effective program design and efficient delivery gives it an advantage in partnering with industry and government to help producers manage all kinds of risks, including financial, food safety, environmental and market security.

The five-year, federal-provincial-territorial Agricultural Policy Framework (APF) provides a long-term structure to help ensure the sustainability of Canadian agriculture. Agricorp is known for its integrity and enjoys a strong relationship with producers, allowing the organization to expand into new service areas under the five chapters of the APF: food safety and quality, environment, industry renewal, science and innovation, and business risk management.

We deliver peace of mind. We contribute to Ontario's outstanding reputation, both nationally and internationally, by helping our customers manage risk.

Current Programs and Services

- Advance Payments Program
- Banking and investment services for government
- Canadian Agricultural Income Stabilization Program
- Dairy Credit Program
- Farm Business Registration
- Grain Financial Protection Program
- Market Revenue Program
- Plum Pox Eradication
- Production Insurance
- Product Verification
- Quality Assurance
- Self Directed Risk Management
- Tobacco Sampling
- Vitis (vine management system)

Mr. Liam McCreery
Chair, Board of Directors

"I feel very fortunate to have joined such a great team."

First Impressions: Message from the Chair

I was very keen when I was approached with the opportunity to chair Agricorp's Board of Directors. With the agri-food industry changing so quickly, I knew it would be a fascinating organization to be a part of. In the months since I joined the board, my initial impressions have proven true.

Agricorp is in an exciting phase of development and I have been tremendously impressed with its commitment to high quality products and service, continuous improvement and good corporate governance. As part of such a dynamic industry, Agricorp must keep looking forward to succeed. As you read through the following pages, you will see many achievements of 2004-05 that are the result of keeping our eyes on the future, our feet in the moment and our hands reaching out to collaborate with the ministry and the agri-food industry.

Agricorp's vision was strengthened in 2004-05 to better reflect the agency's role in the future of agriculture.

"To be the recognized providers of agricultural risk management products."

Recognizing that Agricorp's role and reputation must evolve simultaneously, we also developed a new brand. You may have noticed our new logo on the front of this report. Going through the branding process has helped us focus more intently than ever on how we conduct ourselves when serving our customers and the province. We have clarified our core qualities to ensure that our customers always encounter staff who are proactive, collaborative, quality-focused, efficient and professional.

Our planning efforts concentrate performance measures on results. Five strategic objectives in the areas of customer service, community, our people, delivery, and product and market commitment guide our planning processes, and keep us headed in the right direction.

I continue to be impressed by the enthusiasm and commitment of Agricorp's staff and Board of Directors. I thank them for their dedication to Agricorp and to the agri-food industry in Ontario. I feel very fortunate to have joined such a great team.

I want to thank our former Chair for his contribution to Agricorp. Mr. Phil Andrewes's leadership and dedication have clearly made Agricorp a stronger organization.

We will continue to face more challenges as the CAIS program and Production Insurance evolve. It is my sincere belief that Agricorp is up to these challenges.

Board of Directors

Back row, from left to right: Michel Soenens, Vaughn Stuart, Lynne Cohoe, Liam McCreery, Larry Van Acker, Henry Aukema.
Front row, from left to right: George McCaw, Maurice Waddick, John Shrubb. Absent: Chris Button.

Agricorp's Board of Directors is responsible for overseeing the direction and management of Agricorp to ensure it achieves its corporate mandate. Good corporate governance is essential to the health of the organization and to the economic growth and well-being of society as a whole.

Agricorp conducts itself according to accepted management principles, including ethical behaviour, accountability, prudent use of public funds and high-quality service. Agricorp's operating decisions are made independently and impartially, and it functions at arm's length from the government. However, as an agency of the Ontario government, Agricorp is publicly accountable and is overseen by provincial and federal auditors. The provincial and federal governments fund many of the programs Agricorp delivers.

Mr. Liam McCreery (Chair)
Mr. McCreery graduated from the University of Guelph with a degree in economics and from Wilfrid Laurier University with a graduate diploma in Business Administration. He previously served as Chair of the Ontario Soybean Growers and is a former member of the board of the Guelph Food Technology Centre. He owns and operates a cash crop farm in the Woodstock area.

Ms. Lynne Cohoe (Vice Chair)
Ms. Cohoe is President of Homeland Grain Inc., a licensed commercial elevator in Southwestern Ontario. She is also Partner and Marketing Director of Xygen Diagnostics Inc., a distributor of diagnostic test kits to food, feed and research industries across Canada.

Mr. Henry Aukema
Mr. Aukema owns and operates his own cash crop and hog farrow-to-finish operation in Middlesex County. He is past president of the Christian Farmers Federation of Ontario, Middlesex County Pork Producers and Strathroy Community Christian School.

Mr. Chris Button
Mr. Button graduated from the University of Western Ontario in 1983 with a B.A., and has since achieved his CFP, CGA and Trust and Estate Practitioner designations. He is a partner in the firm of DenHarder McNames Button, Certified General Accountants.

Mr. George McCaw
Mr. McCaw was raised on a cattle and grain farm in Middlesex County and received an M.Sc. in Agricultural Economics from the University of Guelph. Mr. McCaw is the Director of the Policy Analysis Branch at the Ontario Ministry of Agriculture and Food.

Mr. John Shrubb
Mr. Shrubb has owned and operated a 300-acre apple growing operation in Simcoe, Ontario for the past 25 years. He has served as a director of the Ontario Apple Marketing Commission and the Norfolk Fruit Growers.

Mr. Michel Soenens
Mr. Soenens owns and operates Green Zone Farm and Feedmill in Chelmsford, Ontario. He holds a diploma in Agricultural Technology from New Liskeard College of Agricultural Technology and has worked in the agricultural industry since 1983.

Mr. Larry Van Acker
Mr. Van Acker operates a cash crop farm in the Aylmer area. A tobacco grower for 35 years, he served as a committee member and director of the Ontario Flue-Cured Tobacco Growers' Marketing Board (OFCTGMB).

Mr. Maurice Waddick
Mr. Waddick operates an 850-acre cash crop farm with his wife and son, producing seed and commercial grain. He also operates a fleet of trucks serving the agri-food industry. Mr. Waddick has served on the Board of the Ontario Soybean Growers for 19 years, including two years as Chair.

Mr. Vaughn Stuart
Mr. Stuart recently retired as Head of the Agriculture & Agribusiness Markets for RBC Royal Bank in Ontario. He holds a B.Sc. in Agriculture from McGill University and a Masters in Agricultural Economics from Pennsylvania State University. Prior to his banking career, Mr. Stuart worked for both Agriculture and Agri-Food Canada and the Ontario Ministry of Agriculture and Food.

The Year in Review: Message from the CEO

Mr. Randy Jackiw
Chief Executive Officer

"The most impressive testament to Agricorp's success in 2004-2005 is how much we achieved in a year that was one of the most challenging for many agri-businesses in Ontario."

The most impressive testament to Agricorp's success in 2004-2005 is how much we achieved in a year that was one of the most challenging for many agribusiness in Ontario.

Low commodity prices combined with ongoing trade restrictions due to BSE put Agricorp's expertise and service in helping farmers manage risk in demand. As you read this report, you will see that we delivered a variety of risk management programs resulting in payments to producers of approximately $500 million in 2004-2005.

In addition to managing record-breaking payouts, staff also took on the delivery of several programs, including Self Directed Risk Management for horticultural producers and the Advance Payments Program for soybean producers.

We also made numerous improvements to the Production Insurance (PI) program, including introducing several new plans. The new forage plan, which was piloted in limited areas of Ontario over the last few years, was launched province-wide. This innovative plan is different from all other PI plans because it protects against losses from low rainfall rather than low yields. Forage producers have been asking for such a plan for years and I am delighted that we were able to offer it to all producers across Ontario this year.

We have put additional resources towards quality control, allowing for more internal reviews. While proactively reviewing trending and technology factors in the PI program, staff discovered an error in the corn Average Farm Yield (AFY) calculation, which affected all corn producers. I am very proud of how quickly the error was identified and how quickly staff moved to collaborate with the Ontario Ministry of Agriculture and Food, Agriculture and Agri-Food Canada, and producer groups to correct it. We communicated the error to all affected producers, reviewed key processes, and put additional measures in place to help prevent such an error from occurring again.

Delivering the Canadian Agricultural Income Stabilization (CAIS) program has been a major undertaking, particularly since much of it is still under development. With significant increases to our staff complement, we are ensuring that we have the appropriate structures, processes and policies to support a larger and more complex organization. Over the past year, we reviewed our finance, human resource and strategic management functions with an eye to having the capabilities we need to succeed in the future. We are also updating our information technology architecture, another key to our success.

(continued)

I am confident that we will continue to deliver these programs in a way that meets or exceeds our customers' expectations for high quality service. We have aggressive plans in place to continue to improve both the CAIS program and PI. Although we have made significant progress and are, by most measures, ahead of other provinces, there is much more work to do, and I know that staff are up to the challenge.

The agri-food industry will continue to face significant challenges in managing risks due to weather, increased market volatility, food safety and the environment. In many ways, these risks are connected, and I believe Agricorp is well positioned to help deal with them. We already have a solid foundation of programs, information and skills from which we can build new, innovative businesses. Our work with the Grape Growers of Ontario in developing the Vitis vine management system, for example, shows the kind of positive contribution Agricorp can make.

By remaining professional, proactive, efficient, quality-focused and collaborative, we will continue to succeed in connecting producers with programs.

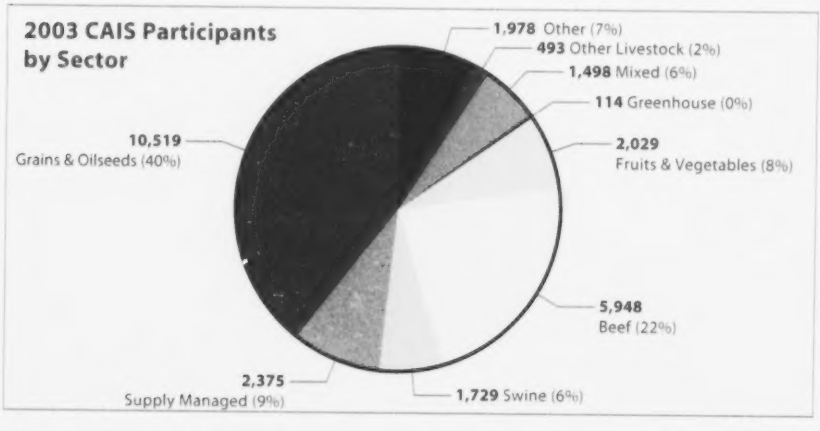
Delivery is our strength. We bring to our work integrity, dedication, knowledge and a passion for excellence.

Making New Connections

2004 was a year of great change for Agricorp. We introduced several major new programs and services, and significantly enhanced some of our existing programs to help more Ontario producers manage risks and stay competitive.

New — Canadian Agricultural Income Stabilization (CAIS) Program
On December 1, 2004, Agricorp began delivering the CAIS program in Ontario on behalf of the provincial and federal governments. The CAIS program represents a new generation of safety net programming under the Agricultural Policy Framework (APF) to help producers manage their business risk. It combines stabilization assistance and disaster recovery into one comprehensive program, and currently helps more than 26,000 Ontario farmers protect their operations from margin declines, whether large or small.

The CAIS program complements Agricorp's well-established Production Insurance program. Together, the two programs provide a whole new level of protection against agricultural business risk. Taking on CAIS program delivery has been a huge endeavour and a significant challenge for Agricorp, but it has meant expanded services, better risk management strategies, and connecting with a new group of clients. Since taking over the program administration, Agricorp issued approximately $115 million in CAIS program benefits from December 1, 2004 to March 31, 2005.



"We are committed to providing Ontario farmers with fast, efficient, one-window access to much-needed financial programs. With this change, we are transforming government to better meet the needs of the people of Ontario."
– Ontario Minister of Agriculture and Food, Steve Peters, talking about the transition of CAIS program delivery from the ministry to Agricorp, in a July 26, 2004 news release

New — Self Directed Risk Management (SDRM)
The SDRM program is available to horticultural producers who participate in the CAIS program. This program is designed to help horticultural producers manage risk in their farming operations, and is available from 2003 to 2005. SDRM provides horticultural producers whose crops are not currently covered under Production Insurance (PI) with another option for managing their business risk. Although producers may enroll in both PI and SDRM, they may not enroll in both programs for the same crop.

Producers deposit funds into an SDRM Account, into which the government contributes an equivalent amount. Producers who experience a loss for any of their crops covered by SDRM can withdraw funds to replace lost income. There are 140 horticultural crops eligible for coverage under this program. Approximately 1,500 Ontario producers participated in SDRM in 2003.

New — Advance Payments Program (APP)
In April 2004, Agricorp began administering the APP on behalf of the Ontario Soybean Growers. In 2004, the APP helped more than 800 Ontario soybean producers better market their crops by providing interest-free loans. These funds enable producers to store their crops after harvest and benefit from better market prices over the course of the season. Agricorp gives producers the flexibility to repay these advances as they sell their crop throughout the year.

The APP helps producers better meet their short-term financial obligations, market their soybean crop more profitably, and secure access to credit when they need it most. In 2004, Agricorp issued approximately $24 million in advances, more than tripling the $7 million issued in 2003.

New — Vitis Vine Management System
In the spring of 2005, Agricorp launched Vitis, a web-based vine management system to help Ontario grape producers manage their vine production. Building on a shared vision developed for the industry, Agricorp was contracted by the Grape Growers of Ontario (GGO) to create the software and collect the data. This multi-phased initiative will enhance overall grape quality through vine management, enhanced food safety, and greater traceability. In 2004, information was collected from approximately 385 grape growers and more information will be collected in 2005.

Vitis uses Geographic Information System (GIS) map technology to let growers view maps of their vineyards. They can display user-customizable information such as grape variety, soil type and climatic conditions, and generate a variety of reports. As this state of the art system is developed over several phases, Vitis is expected to become a valued decision-making tool that will propel Ontario wines into a leading position and expand their international reputation for excellence.

"Since the launching of the GIS project, the grape industry in Ontario has moved into a leadership role in Canada as the first commodity organization to offer its growers a web-based vine management tool."
– Debbie Zimmerman, CEO, Grape Growers of Ontario

Improved — Production Insurance (PI)
Agricorp has been administering Production Insurance (formerly Crop Insurance) since 1997. This trademark risk management program protects Ontario producers from yield reductions and crop losses. In 2004, Production Insurance protected approximately 19,000 producers and 4.4 million acres of Ontario farmland.

For the spring of 2005, Agricorp enhanced its existing Production Insurance plans for potatoes and edible beans. Producers can now insure fresh and processing potatoes separately with plans that better reflect each crop's risk profile. Edible dry bean growers can now choose from four new coloured bean plans including: black bean, cranberry bean, kidney bean and Japanese/Other. These new plans provide better protection because average farm yield, claim prices, and reseeding and unseeded acreage benefits are geared more accurately to the individual crops. They also provide growers with the choice of multiple coverage options.

In 2005, the Forage Rainfall plan was expanded to provide coverage to hay and pasture production across Ontario. This program, based solely on the amount of rainfall an area receives, replaces the Forage SIMFOY plan. The improved Forage Rainfall plan offers simple, affordable coverage and may be used as a model for future plans.

Agricorp is working to develop PI plans for horticulture and participated in the Horticulture Production Insurance Working Group with the goal of providing the Ontario Minister of Agriculture and Food with recommendations on improving Production Insurance for the horticulture sector. The working group, composed of representatives from the Ontario government, industry and Agricorp, tabled a report to the Minister in February 2005.

Agricorp will continue to work with industry and its government partners to identify and meet the risk management needs of the horticulture sector. A number of enhancements and new plans have been proposed for 2006 and priorities for future years have been identified.

Agricorp has also begun discussions with livestock and poultry commodity groups in the interest of developing PI products to meet their unique risk management needs. Discussions will continue in 2005-06.

Improved — Grain Financial Protection Program (GFPP)
Agricorp has been delivering the Grain Financial Protection Program on behalf of the Ontario Ministry of Agriculture and Food (OMAF) since May 1997. This program protects the financial interests of Ontario grain producers and owners who deal with licensed grain dealers and elevators.

In December 2004 a new fund was established for wheat producers. The GFPP now protects producers who sell grain corn, soybeans, canola and wheat to licensed dealers, and protects owners storing grain and oilseeds with licensed elevators. Agricorp licenses 312 entities that include 303 grain dealers and 232 elevator companies with 356 locations across Ontario. Annual grain sales covered by the program are in excess of $1.2 billion. The program is financed jointly by OMAF, licensee fees and producer fees to commodity associations.

Connecting with Customers

We provide exceptional customer service. We strive to satisfy our customers' needs through timely, knowledgeable and courteous assistance.

Ontario's agri-food industry continues to face unprecedented challenges. Foreign subsidies, increasing consumer demands for food safety and environmental assurances, and the effects of border closures due to BSE are exerting considerable pressure on Ontario producers. At the same time, Agricorp's customer base is growing from its traditional crop clients with the addition of livestock and other producers.

The transfer of the Canadian Agricultural Income Stabilization (CAIS) program represented a significant accomplishment. It was achieved seamlessly and without any break in customer service. Agricorp staff worked very hard to make this happen.

The transition means that Agricorp now has two call centres. Over the 2004-05 fiscal year, our call centres handled more than 165,000 phone calls, with 42,000 of those coming from the CAIS program call centre between December 1, 2004 and March 31, 2005.

Agricorp continues to look for new ways to better serve customers and streamline methods of collecting information from them for all programs. Over the next year, work will get underway to unify the call centres and their processes.

Customer Satisfaction Results

Agricorp continues to build on its reputation for excellent customer service. The annual Customer Satisfaction Survey revealed high marks in this area. Respondents were selected randomly, and a total of 300 Ontario producers completed the survey.

Line of Business	Number of Calls in 2004-05
Production Insurance/ Market Revenue	105,392
Canadian Agricultural Income Stabilization (CAIS) Program	42,996 Dec 1, 2004 - Mar 31, 2005
Farm Business Registration (FBR)	16,637

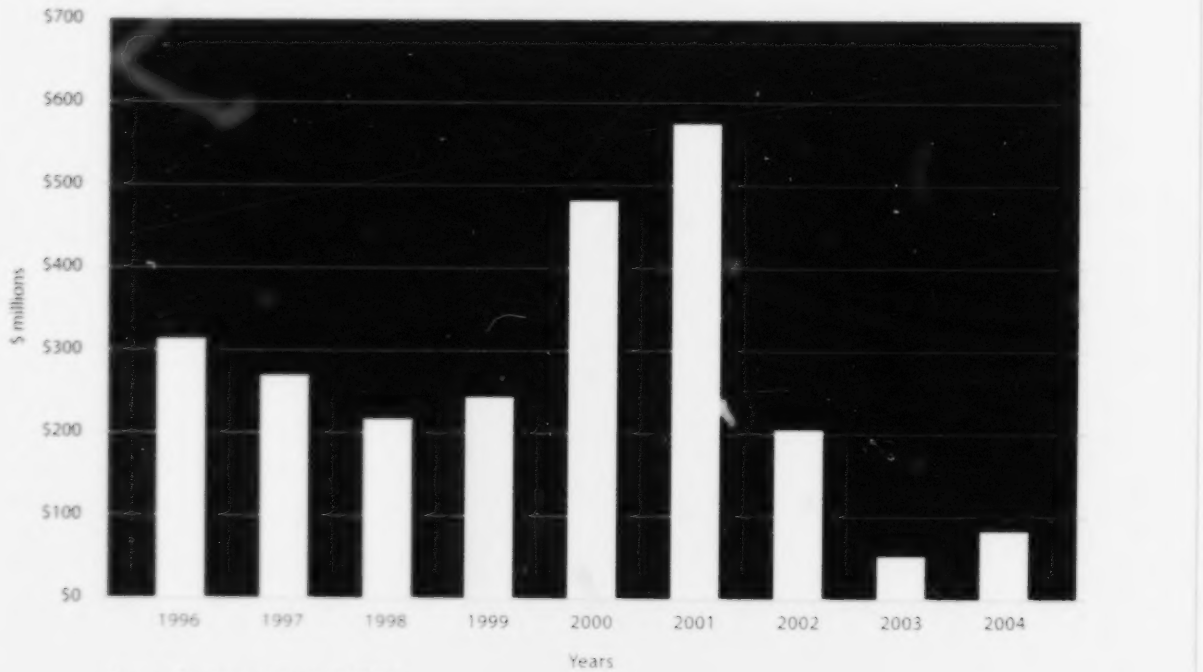
From the Survey:

"The [Production Insurance and FBR] call centre remained highly rated by Agricorp customers across all attributes with particularly strong performance when it came to friendliness, helpfulness, and communicating clearly."

"The field staff of Agricorp was very highly rated on all attributes, and in particular, for friendliness, program knowledge, helpfulness and communicating clearly."

"In total, 37.3 per cent of respondents indicated having contact with the CAIS program phone line. Ratings were above average (overall call centre performance was 3.5 out of a possible 5) with ratings for friendliness and hours of operation receiving top marks."

Realized Net Income, Ontario, 1996 to 2004



Source: Statistics Canada & OMAF

New Tool: myCAIS Website

In the spring of 2005, Agricorp launched an exciting new tool for the CAIS program. The myCAIS website allows producers or their agents to submit their CAIS program forms online. The site also allows producers to view their CAIS program information and reports, and is integrated with Agricorp's internal database, resulting in improved file processing and other business efficiencies.

As of late spring 2005, more than 3,000 CAIS program participants had activated a personalized myCAIS account and more than 750 users had submitted 2004 CAIS program forms online. Initial feedback from myCAIS users is very promising, with all respondents indicating that they would use the site again to submit CAIS program forms.

The number of myCAIS users is expected to grow significantly over the coming year, reducing mailing costs, paper use, and data entry time, as well as creating a convenient new way to connect with customers.

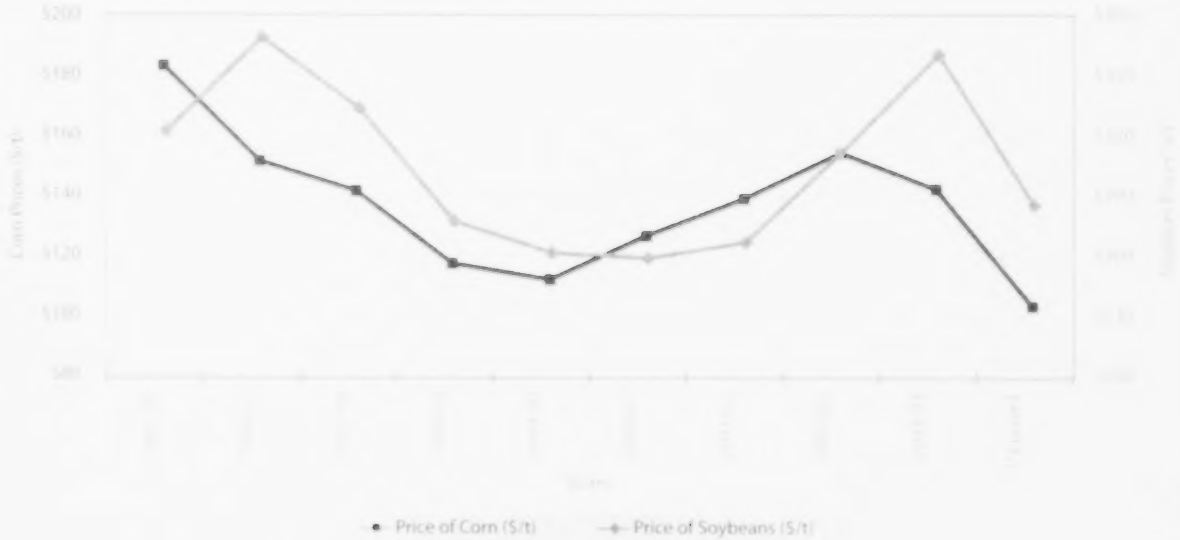
myCAIS Survey Highlights...

- 100 percent of respondents would use the myCAIS website again
- 60 percent of respondents found the site easier to use than the paper form

Comments...

- "Liked the drop down menus as they had lots of choices."
- "Like that we can view other results like [Calculation of Program Benefits Statements and Deposit Options Notices], and can check errors that we may have in the system sooner."
- "Brought to my attention that I was doing more work on the paper application than necessary."
- "Very pleased to see pre-populated information in the second application."
- "Don't understand why anyone wouldn't use it."

Recent Corn and Soybean Prices



Source: OCPA & AAFC

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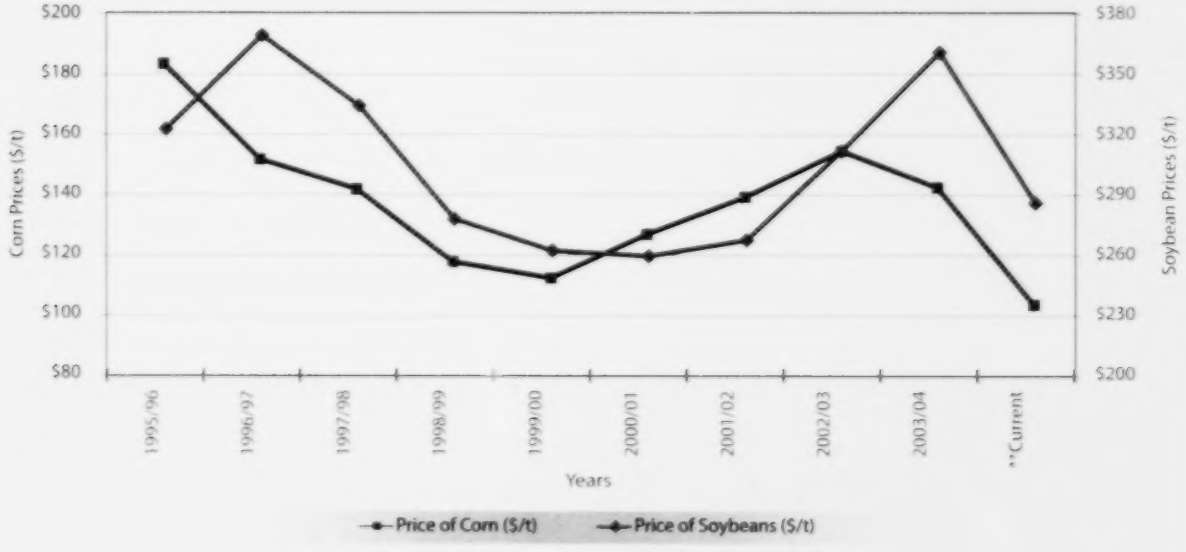


Source: OCPA & AAFC

**Current as of July 8th, 2005

Corn Average Farm Yield (AFY)

This year brought a few challenges to Agricorp. In September 2004, an error in the calculation of the corn AFY was discovered, which increased the insured yield for every corn producer who participated in Production Insurance.

Once the error was discovered, Agricorp quickly involved the Ontario Corn Producers' Association (OCPA), the Ontario Ministry of Agriculture and Food, and Agriculture and Agri-Food Canada in determining the best resolution. As a result of this consultation, Agricorp decided to honour the stated coverage levels.

The incorrect level of coverage had been communicated to corn producers on Renewal and Confirmation notices in June 2004. Once the appropriate course of action was determined, all corn producers were informed of the error in late November 2004. In the end, Ontario enjoyed great weather in the fall of 2004 and only a small percentage of corn producers had claims. Future premium rates have not been affected by this error and steps have been taken to prevent such errors in the future.

From this experience, Agricorp can take pride in a number of lessons learned. The error was discovered by a regular internal review, indicating that processes are relevant and effective. The issue was handled with integrity and speed, involving key players right away, providing added confidence in Agricorp's ability to manage issues.

"The [Ontario Corn Producers' Association] commends Agricorp for its internal audit and management systems which routinely review methodologies and brought the error to light, its handling of this situation once discovered, and for honouring its contractual obligations. We especially commend Agricorp for listening to our suggestions."
– From the December 2004 issue of the OCPA Newsletter

We invest in the future of the agricultural community. As a good corporate citizen, we actively support our community in becoming a better place to live, work and prosper.

Connecting with Community

Over the 2004-05 fiscal year, Agricorp supported 4-H Ontario, the Advanced Agricultural Leadership Program (AALP) and the Ronald McDonald House in Hamilton (RMH – Hamilton).

Both 4-H and AALP help shape tomorrow's leaders. Agricorp believes that supporting such organizations is an excellent way to ensure a vibrant and healthy future for agriculture.

Ronald McDonald House – Hamilton

Agricorp staff raised $5,260 for the Ronald McDonald House – Hamilton this fiscal year through a variety of activities. Staff held numerous raffles, a pancake breakfast on Shrove Tuesday, an International Food Fair Day, and an annual donations drive.

Agricorp has been supporting RMH – Hamilton since 1998. Ronald McDonald Houses provide a home away from home for families of seriously ill children who are receiving treatment at nearby hospitals. Since most Agricorp staff live in the area served by RMH – Hamilton, the staff selected it from a number of options in 1998 and continue to wholeheartedly support this very worthy cause.

AALP

Established in 1985, the Advanced Agricultural Leadership Program is a 19-month executive development opportunity for men and women actively involved in Ontario's agriculture and food industry. Its aim is to provide our industry's future leaders with the skills, knowledge, broad perspective and positive attitude needed for the future. The program challenges participants to examine political, environmental, social and economic issues as they relate to agriculture, the food industry and society.

Agricorp was pleased to contribute $5,000 to the AALP in 2004-05. Agricorp also sponsors a staff member to participate in each class of the AALP.

As well, Agricorp CEO, Randy Jackiw, shared his knowledge and experience in the agriculture industry with AALP class 10. His presentation drew high praise from class participants.

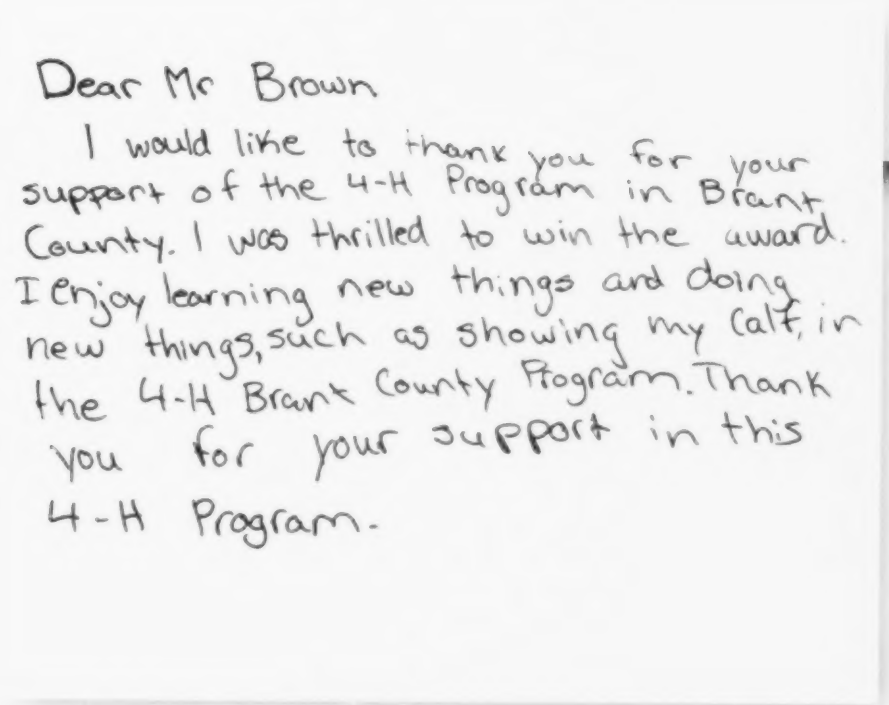
4-H Ontario

4-H stands for head, heart, hands and health and 4-H Ontario helps youth between the ages of 10 and 21 develop important leadership skills and self-esteem. Agricorp contributed $5,000 to 4-H Ontario for the 2004-05 fiscal year, which was used to purchase new achievement plaques for 4-H members. Many of the young recipients sent thank you cards for their plaques, two of which are proudly displayed here.

Agricorp also sponsored the putting contest at the 4th Annual Ontario 4-H Foundation Golf Tournament and Banquet, providing staff to operate the contest and two great golf bags for the winners. An additional $610 was raised for the Ontario 4-H Foundation as a result.

To Agricorp

Thank you for Sponsoring the 4-H member plaques. I am very proud to hang this plaque on my wall.



Dear Mr Brown

I would like to thank you for your support of the 4-H Program in Brant County. I was thrilled to win the award. I enjoy learning new things and doing new things, such as showing my calf, in the 4-H Brant County Program. Thank you for your support in this 4-H Program.

Our people are the foundation of our success. We nurture and challenge one another as individuals to continuously learn and grow.

Connecting Our People

Randy Jackiw
Chief Executive Officer

Human Resources
Director
Jocelyn Gallagher

Brenda Grieve
Manager,
Human Resources

Office of Strategic Management
Senior Manager
Lee Ann Lennox

Lois Harris
Interim Manager,
Corporate Communications

Research & Development
Director
Mike Vlcek

- Gail Simkus
  Manager, Research & Development

Business Development
Executive Director
Greg Brown

- Trish Wales
  Manager, Quality & Audit
- Matt Tulloch
  Manager, Plum Pox
- Mary Ferguson
  Planning / Special Projects Manager
- Michael Reidy
  Manager, Verification

Information Technology
Director
Stephen Ip

- Roxana Wong
  Manager, IT Project Office
- Barry Walker
  Manager, Technical Services
- Masoud Ensafi
  Manager, Systems Development
- Keiller Mackay
  Manager, QA & Standards
- Keith Sine
  Manager, CAIS Systems Development

Corporate Services
Director
Rolly Stroeter

- Kim Leach
  Manager, Office Administration
- Joan Blackwood
  Acting Controller, Finance
- Andrea Iturriaga
  Senior Manager, Priority Planning
- Norm Muir
  Administrator
- Roger Donais
  Compliance Officer

Operations
Director
Mike McMorris

- Jim Zavitz
  Senior Manager, Customer Service
- Sean McGowan
  Manager, Customer Action Centre
- Ross Parker
  Manager, Client Services
- Cathy Lennon
  Manager, CAIS Verification
- Anna Siderius
  Manager, Business Risk Management
- Ruth Day
  Manager, Logistics Services
- J. Sandham-Aiken
  Quality Assurance Manager

Agricorp's staff of 516 people from head office, field offices and seasonal employees, are dedicated to our core qualities of professionalism, proactivity, efficiency, quality and collaboration.

Moving forward, Agricorp will continue to identify future connections that will help Ontario producers prosper both today and tomorrow.

Future Connections

Many factors, from international trade pressures to emerging technologies, are changing the way our customers in the agri-food industry do business. Agricorp recognizes the importance of keeping pace with these changes and will focus on the following strategies for the future.

Business Risk Management

The changing global marketplace will continue to drive significant change to Agricorp's business risk management programs. Policies surrounding the CAIS program continue to evolve and work continues to support ongoing changes. Planning is underway to extend Production Insurance coverage to include horticultural products, niche products (for example, organics) and livestock. Agricorp will work closely with stakeholders and funding partners on continually improving these two programs to meet customer needs. The organization will also investigate the potential of innovative new risk management programs such as price protection.

Although Agricorp already plays an important role in delivering programs under the Business Risk Management pillar of the APF, its role will be expanded into other pillars over the next few years. In particular, Agricorp's strengths can contribute significantly to the Food Safety and Quality, and Environment pillars.

Verification and Traceability

The agri-food system is an integrated and complex production chain with links from primary agricultural production to food and beverage services. Consumers need to know that food is safe, high quality, and produced in an environmentally responsible manner. Ontario's agri-food industry has an excellent reputation for ensuring safe, quality food. Agricorp will help further that reputation by playing a larger role in delivering comprehensive and integrated risk management programs.

Over the next few years, the organization plans to pursue supportive roles in public sector, government-driven initiatives, such as helping the Ontario Ministry of Agriculture and Food implement the Haines Report recommendations, the *Nutrient Management Act*, water quality legislation and the Environmental Farm Plan program.

Agricorp will also develop strategic partnerships with industry groups and build a strong internal team with the required expertise to design, develop, and deliver a range of programs. The intent is to help propel the agri-food industry towards greater competitiveness. The future looks bright as Agricorp continues to increase its visibility by leveraging its excellent reputation for program delivery.

Customer Service

Ontario farms are becoming fewer, larger and more consolidated across the value chain. As a result, customers are becoming more sophisticated and over the next few years, opportunities to provide new computer-based services and tools will be pursued.

Agricorp is committed to connecting producers with programs and, especially with the transfer of the CAIS program, is moving towards one-window access for risk management products and services. Agricorp is striving to offer customers a consistently good experience, regardless of the programs or products they use. Ongoing efforts to streamline processes and co-ordinate communications across programs will provide even better service.

Synergies will be identified in the delivery of potential and current programs. For example, providing customers with a single entry point for reporting required information for several programs, from the CAIS program to the Vitis vine management system, will offer greater convenience to customers.

Looking Forward

With strong roots in the agri-food industry Agricorp has always been responsive to new business needs and directions, evolving with industry, government, and other demands. Agricorp will build on the proven strength of existing programs and services to create progressive new products that will have a positive impact on agriculture. Moving forward, Agricorp will continue to identify future connections that will help Ontario producers prosper both today and tomorrow.

Almost $500 million will be delivered to Ontario farmers, up from $144 million in 2003-04.

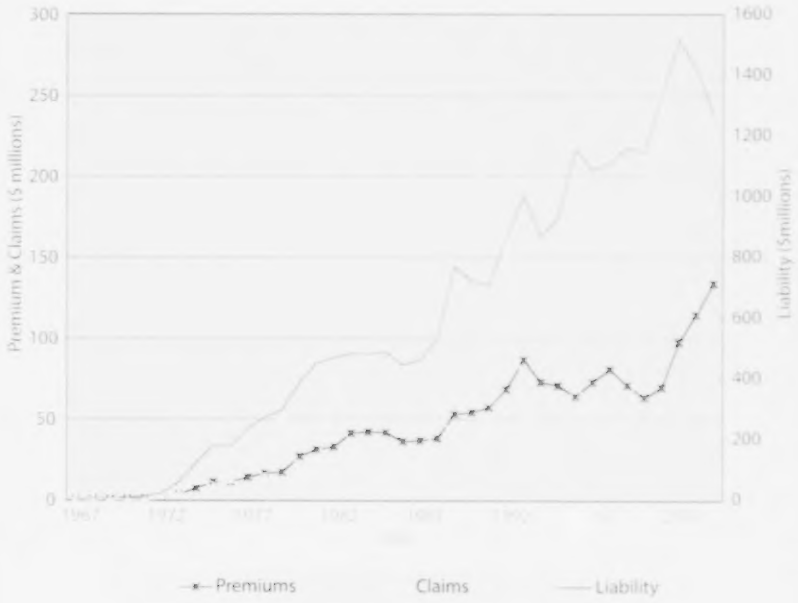
Financial Highlights

In 2004-05, Agricorp is delivering almost $500 million to Ontario farmers, up from $144 million in 2003-04. This steep rise is primarily the result of assuming administrative responsibility for the Canadian Agricultural Income Stabilization (CAIS) program and recognizing indemnities for both the 2003 and 2004 program years in this fiscal year for the Market Revenue program.

Production Insurance Fund

The good weather in late fall 2004 resulted in fewer Production Insurance (PI) claims. About $39 million was paid out in PI claims this year, compared to $126 million last year. As a result, the PI Fund balance is now at about $210 million, putting Agricorp in a favourable position for dealing with heavy claim years in the future, should the need arise.

Ontario's Production Insurance Experience 1967 - 2004



CAIS Program

The transfer of the CAIS program on December 1, 2004 has had an enormous impact on Agricorp's finances, nearly doubling both revenue and expenditures. From December to March, Agricorp delivered $115 million to approximately 9,000 Ontario producers under the CAIS program.

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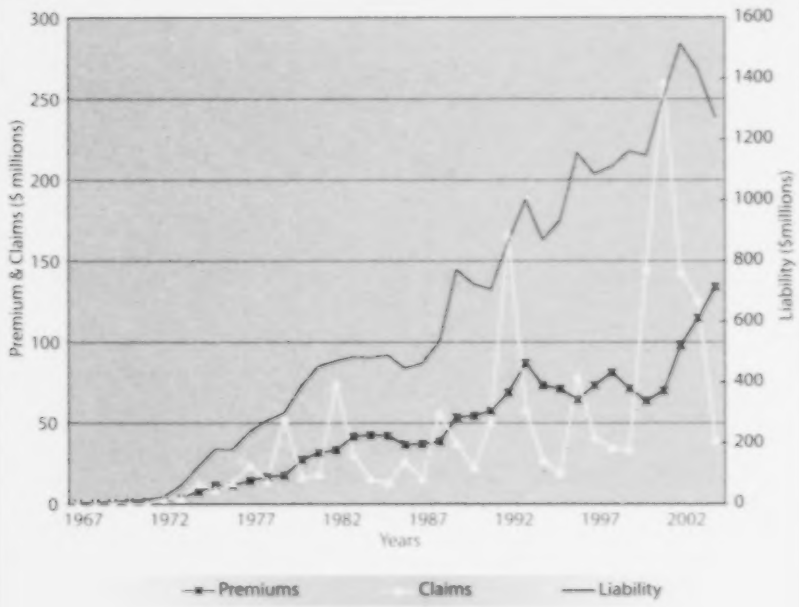

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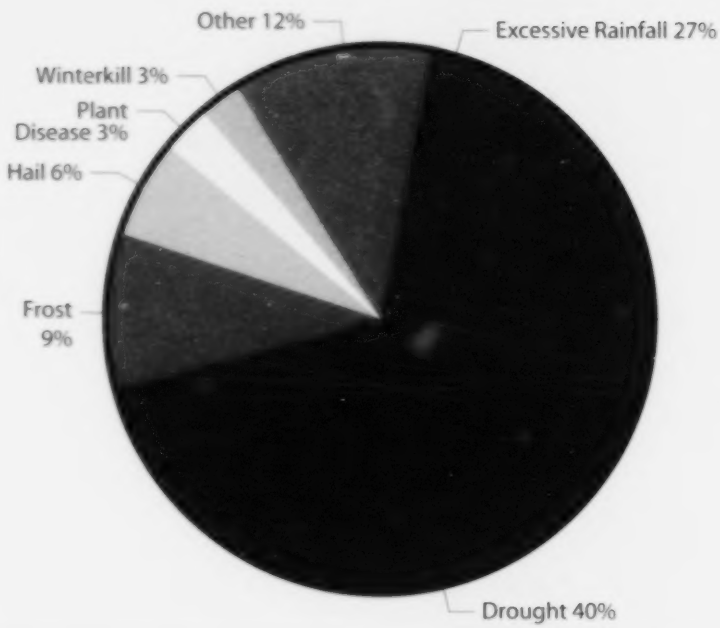
Production Insurance
Cumulative Total Claims by Peril (1966-2004)



Market Revenue Program

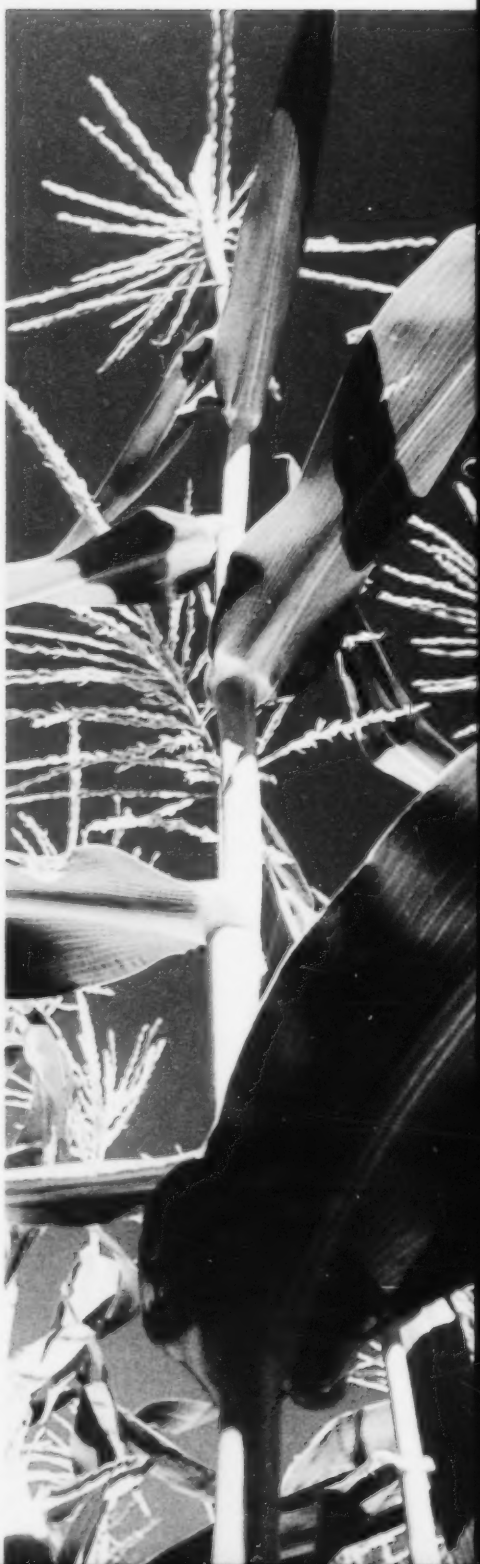
The Market Revenue program has historically been funded by the federal and provincial governments. This year, however, only Ontario funded the program from the fund balance and an additional $79 million in provincial funding.

General Fund

The General Fund supports the administration of all Agricorp's programs, including those delivered on behalf of other organizations. The fund remained steady, providing the necessary cash flow to maintain operations.

Funds under Administration

In 2004-05, Agricorp continued to provide cheque writing and cash management services. A total of $280 million was disbursed under the CAIS program for the 2003 program year and various bovine spongiform encephalopathy (BSE) programs for the Ontario Ministry of Agriculture and Food.



Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities, that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of the examination and expresses the auditors' opinions on the financial statements of the Agency.

Randy Jackiw – Chief Executive Officer

Rolly Stroeter – Chief Financial Officer

Office of the
Auditor General
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To AgriCorp
and to the Minister of Agriculture and Food

I have audited the balance sheet of AgriCorp as at March 31, 2005 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 3, 2005

Gary R. Peall, CA
Deputy Auditor General

Balance Sheet
As at March 31, 2005

	General Fund	Production Insurance Fund	Market Revenue Program	Income Stabilization Program	Other Programs	Total 2005	Total 2004
				($ 000)			
ASSETS							
Cash	1,057	643	–	–	–	1,700	–
Accounts receivable (Note 4)	4,297	13,604	37	271,950	36,577	326,465	16,953
Funds under administration (Note 5)	9,595	–	–	–	–	9,595	2,592
Investments (Note 6)	4,480	213,572	–	7,493	12,683	238,228	133,435
Due from the Minister of Finance (Note 7)	–	–	79,947	–	–	79,947	93,858
Capital assets (Note 8)	1,352	–	–	–	–	1,352	1,266
	20,781	227,819	79,984	279,443	49,260	657,287	248,104
LIABILITIES AND FUND BALANCES							
Liabilities							
Bank indebtedness	–	–	–	4,297	1,256	5,553	75
Accounts payable and accrued liabilities	1,994	119	1,377	60,627	24,004	88,121	1,675
Unearned premiums and revenue (Note 9)	1,575	13,690	–	2,521	–	17,786	15,250
Provision for unsettled indemnities (Note 12)	–	3,665	78,607	211,998	24,000	318,270	5,133
Funds under administration payable (Note 5)	9,595	–	–	–	–	9,595	2,592
	13,164	17,474	79,984	279,443	49,260	439,325	24,725
Fund Balances (Note 1)	7,617	210,345	–	–	–	217,962	223,379
	20,781	227,819	79,984	279,443	49,260	657,287	248,104

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Chief Executive Officer

Statement of Operations and Fund Balances
For the Year Ended March 31, 2005

	General Fund	Production Insurance Fund	Market Revenue Program	Income Stabilization Program	Other Programs	Total 2005	Total 2004
				($ 000)			
Revenue							
Operating funding – Ontario and Canada (Note 10)	15,720	–	–	–	–	15,720	11,650
Premiums/contributions from producers	–	54,320	–	–	12,000	66,320	57,337
Premium funding – Ontario and Canada (Note 3)	–	79,506	78,477	250,000	14,688	422,671	57,353
Sales, consulting and other services	5,470	–	–	–	–	5,470	7,194
Interest income	174	8,398	2,136	–	–	10,708	11,429
	21,364	142,224	80,613	250,000	26,688	520,889	144,963
Expenses							
Indemnities (Note 12)	–	39,088	174,485	250,000	26,688	490,261	127,373
Reinsurance (Note 11)	–	13,623	–	–	–	13,623	15,981
Selling, general and administrative	20,739	–	–	–	–	20,739	16,353
Depreciation	918	–	–	–	–	918	821
Bad debts	–	573	192	–	–	765	9
	21,657	53,284	174,677	250,000	26,688	526,306	160,537
Excess (deficiency) of revenue over expenses	(293)	88,940	(94,064)	–	–	(5,417)	(15,574)
Fund balance, beginning of year	7,910	121,405	94,064	–	–	223,379	238,953
Fund balance, end of year	7,617	210,345	–	–	–	217,962	223,379

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended March 31, 2005

	General Fund	Production Insurance Fund	Market Revenue Program	Income Stabilization Program	Other Programs	Total 2005	Total 2004
				($ 000)			
Cash Flows from (used in) Operating Activities							
Excess (deficiency) of revenue over expenses	(293)	88,940	(94,064)	–	–	(5,417)	(15,574)
Adjustments to reconcile net income to funds provided by operating activities							
Deprecation	918	–	–	–	–	918	821
Net change in working capital	(1,938)	(232)	94,064	3,196	11,428	106,518	(2,932)
Cash flows from (used in) operating activities	(1,313)	88,708	–	3,196	11,428	102,019	(17,685)
Cash Flows from Investing Activities							
Purchase of capital assets	(1,004)	–	–	–	–	(1,004)	(985)
(Increase) Decrease in investments	3,452	(88,068)	–	(7,493)	(12,684)	(104,793)	16,872
Cash flows from investing activities	2,448	(88,068)	–	(7,493)	(12,684)	(105,797)	15,887
Net increase (decrease) in cash	1,135	640	–	(4,297)	(1,256)	(3,778)	(1,798)
Cash (Bank indebtedness) at beginning of year	(78)	3	–	–	–	(75)	1,723
Cash (Bank indebtedness) at end of year	1,057	643	–	(4,297)	(1,256)	(3,853)	(75)

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS

The AgriCorp Act, 1996 established AgriCorp as a Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food, and rural sectors of Ontario. Safety net plans include Production Insurance, the Market Revenue Program, the Income Stabilization Program, and the Self-Directed Risk Management Program.

The Production Insurance Fund (Ontario Crop Insurance Fund) was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, the Fund provides growers with protection against yield reduction caused by natural perils.

The Market Revenue Program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement between the Government of Canada and the provinces and commenced operations on April 1, 1991. The program protects farmers against reduced income caused by low market prices for certain designated crops.

The Income Stabilization Program (Canadian Agricultural Income Stabilization Program) was established under the Canada-Ontario Insurance Agreement, which came into effect April 1, 2003. The program provides agricultural producers with protection against declines in farm income. In December 2004, the Corporation assumed responsibility from the Ontario Ministry of Agriculture and Food for the delivery of this program, including responsibility for all payments resulting from the 2004 program year.

The Corporation also administers other agricultural programs including the Self-Directed Risk Management Program. This program was established pursuant to the Canada-Ontario Insurance Agreement for the 2003, 2004 and 2005 program years to provide income stabilization to horticultural producers. In November 2004, the Corporation assumed responsibility for this program from the Ontario Ministry of Agriculture and Food, including responsibility for all payments resulting from the 2004 program year.

Since January 2001, the Corporation has also been responsible for the delivery of the Farm Business Registration Program established under the Farm Registration and Farm Organizations Funding Act, 1993. The Corporation's obligations under an agreement with the Ministry primarily include registration of farm businesses, collection of registration fees and, after deducting an administrative charge, forwarding the net fees to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

The Corporation uses fund accounting whereby each safety net program's activities are accounted for in segregated funds. The General Fund is used to account for all administrative costs and revenues, as well as for all unsegregated activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Capital Assets
Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

(c) Pension Plan
Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and any adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

(d) Investments
Interest income, gains and losses on disposal, amortization of premiums and discounts, and write-downs to market value are reported in investment income. General Fund, Production Insurance, Market Revenue, Income Stabilization, and Self-Directed Risk Management investments are segregated avoiding the need for allocation of investment income to each fund and program. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost, which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities
The provision for unsettled indemnities relates to certain Production Insurance, Market Revenue, Income Stabilization, and Self-Directed Risk Management claims that remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management's best estimates of the amounts to be paid.

(f) Revenue Recognition
Premium revenues are recognized in the year in which the related crops are harvested.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Production Insurance
The Canada-Ontario Insurance Agreement came into effect April 1, 2003 and expires March 31, 2008 or at a mutually agreed upon date. Under the terms of the Agreement, crop producers pay 40% of the insurance premium costs. The remainder of the insurance premium costs are paid by the Federal and Provincial governments, 60% and 40%, respectively.

(b) Market Revenue
In February 2005, the Ontario Government extended the Market Revenue Program to include the 2003 and 2004 crop years and shall terminate the program when the funds have been depleted. The remaining program funding will consist of the balance in the program at March 31, 2004 of $94,064,000 plus all interest earned and credited to the program and any additional funding deemed necessary by Ontario. There were no further contributions by the Government of Canada under the former Canada-Ontario Market Revenue Agreement.

(c) Income Stabilization
For the Income Stabilization Program, producers deposit, into a program bank account, an amount not to exceed two year's stabilization and disaster recovery as determined by the average difference between the producers' farm revenue and eligible production costs over a five-year period. In addition to a withdrawal from the program bank account when a decline in farm income occurs, Canada and Ontario will pay a program benefit based on specified tiered coverage. The Federal and Provincial governments share the program costs on the basis of 60% and 40%, respectively.

(d) Other Programs – Self-Directed Risk Management
One of the other programs administered by the Corporation is the Self-Directed Risk Management Program (SDRM) which was established under the Canada-Ontario Insurance Agreement and is to be in effect for 3 program years (2003-2005). Under the terms of the agreement, a producer deposits into the Program account up to 4% of their eligible net sales. Subject to the availability of federal and provincial funds, a matching contribution is made into the Program account by the Federal and Provincial governments. Claims are paid out of the Program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. Over the 3 years the program is to be in effect, the Federal and Provincial governments agreed to share program costs equally.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2005 ($000)	2004 ($000)
Government funding - Canada	194,750	15,990
Government funding - Ontario	107,407	(280)
Producer receivables	22,757	570
Trade	1,042	663
Accrued interest	509	10
	326,465	16,953

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture and Food. The funds required to make payments under these programs are provided by Ontario and Canada.

	2005 ($000)	2004 ($000)
Funds Under Administration		
Short-term investments	10,489	–
Cash (Outstanding payments)	(894)	2,592
Other	–	–
	9,595	2,592
Funds Under Administration Payable		
Canada-Ontario General Top Up Program	7,383	–
Canada-Ontario Repositioning Program	1,513	–
Ontario BSE Recovery Program (Bank overdraft)	372	(1,121)
Canada CULL Animal Program	93	–
Ontario Farm Business Registration Program	91	99
Ontario Farm Income Disaster Program	41	1,159
Canada-Ontario BSE Recovery Program	7	2,007
Canada Grain Stabilization Payment	–	3
Other	95	445
	9,595	2,592

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

6. INVESTMENTS (CONTINUED)

(a) Portfolio Profile

Investments are as follows:

	2005 ($000)		2004 ($000)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term	85,980	85,871	13,013	12,984
Long-term				
Government of Canada	37,588	37,719	20,060	20,938
Province of Ontario	37,739	37,956	25,545	27,357
Other provincial governments	37,789	37,943	28,496	30,233
Provincial utilities	32,395	34,428	46,321	49,614
Other financial institutions	6,737	7,035	–	–
Total long-term	152,248	155,081	120,422	128,142
Total Investments	238,228	240,952	133,435	141,126

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 4.75% to 10.25% with a weighted average yield of 4.784%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual claims levels differed significantly from expected claims and quick liquidation of assets was required to meet obligations. At March 31, 2005, a 1% move in interest rates could impact the market value by approximately $5.6 million.

(c) Maturity Profile of the Investment Portfolio

	2005 ($000)	2004 ($000)
<1 Year	85,980	13,013
1–3 Years	56,813	47,301
3–5 Years	58,558	59,250
>5 Years	36,877	13,871
Total	238,228	133,435

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation.

8. CAPITAL ASSETS

	March 31, 2005 ($000)			2004 ($000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	4,020	3,040	980	1,012
Computer software	1,839	1,532	307	218
Leasehold improvements	202	139	63	27
Machinery and equipment	122	120	2	9
Vehicles	36	36	–	–
Furniture and fixtures	18	18	–	–
	6,237	4,885	1,352	1,266

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Production Insurance Fund for winter wheat ($9.88 million) and other crops ($3.81 million). These crops are not harvested until after the end of the fiscal year, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets ($1.575 million) and administrative costs that are to be recovered from Income Stabilization Program participants ($2.521 million) when future program payments are made.

10. OPERATING FUNDING – ONTARIO AND CANADA

Canada and Ontario have agreed to share the costs of administering the Production Insurance Fund and the Income Stabilization Program at the rate of 60% and 40% respectively, and have agreed to share equally the costs of administering the Self-Directed Risk Management Program. In prior years administration costs for the Market Revenue Program were also shared equally but, since the Canada-Ontario Market Revenue Agreement had expired, Ontario provided the operating funding for the Program during the 2004/05 fiscal year.

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume production insurance losses based on negotiated thresholds. Payments made by reinsurance companies represent claims submitted for crop losses incurred by the Corporation.

12. INDEMNITIES

The Ontario Production Insurance Fund's operating results for the current period includes a $0.75 million under-provision for unsettled indemnities as at March 31, 2004 (2003 – $0.2 million under-provision for indemnities). In addition, the Production Insurance Fund's operating results for the current period include a provision for unsettled indemnities relating to the 2004 crop year of $3.665 million (2003 – $5.13 million).

The Market Revenue Program's operating results for the current period includes a $78.6 million provision for unsettled indemnities relating to the 2004 crop year. There was no provision made as at March 31, 2004 for the 2003 crop year because a Canada-Ontario Market Revenue Agreement was not in place for that year.

The Income Stabilization Program's operating results for the current period includes a provision of $212 million for unsettled indemnities for the 2004 program year.

The Self-Directed Risk Management Program's operating results for the current period includes a provision of $24 million for unsettled indemnities for the 2004 program year.

13. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Plan assets are invested in three balanced funds and one global equity fund. The changes in the fair value of plan assets during the year were as follows:

	2005 ($000)	2004 ($000)
Fair value of plan assets – beginning	3,681	2,463
Contributions by the corporation	517	376
Contributions by the employees	429	303
Benefit payments	(139)	(80)
Return on plan assets	339	619
Fair value of plan assets – ending	4,827	3,681

Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation, fair value of the net assets available to provide for the obligation and plan deficit, are as follows:

	2005 ($000)	2004 ($000)
Accrued pension obligation	5,487	4,524
Fair value of plan assets	4,827	3,681
Pension plan deficit	(660)	(843)

13. PENSION PLAN (CONTINUED)

The pension plan remained in a deficit during the fiscal year due to lower than expected investment returns. Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7% per year, salary escalation was assumed to be 4% per year, and 5.75% was used as the discount rate.

Changes in the Corporation's accrued pension benefit liability (asset) were as follows:

	2005 ($000)	2004 ($000)
Accrued benefit liability – beginning	68	85
Pension expense for the year	408	359
Contributions by the corporation	(517)	(376)
Accrued benefit liability (asset) – ending	(41)	68

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture and Food. Under the terms of the agreements the Corporation paid the Ministry $574,063 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. In addition, the Corporation paid the Ontario Realty Corporation $479,422 to rent their head office location.

15. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was $25,031 during the year ending March 31, 2005 (2004 – $29,783).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2004 calendar year, the amounts paid to such individuals is as follows:

Name	Position	Salary ($)	Taxable Benefits ($)
Brown, Greg	Executive Director, Business Development	111,946	9,621
Ip, Stephen	Director, Information Technology	104,163	6,242
Jackiw, Randy	Chief Executive Officer	157,244	10,956
Stroeter, Reinhold	Director, Corporate Services and Chief Financial Officer	117,034	6,273
Vlcek, Michael	Director, Research and Development	102,411	468

16. LEASE COMMITMENTS

The commitment on 21,283 square feet of office space currently occupied by the Corporation expires on March 31, 2006. During the remaining portion of this lease, the corporation is committed to a minimum rental payment of $357,000. The Corporation is negotiating for an additional 11, 500 square feet of office space, with rental payments to be determined at the prevailing market rate.

17. CONTINGENT LIABILITY

The General Fund balance includes an accumulation of $0.8 million relating to the reimbursement by the reinsurance companies in 2001 of adjusting costs incurred by the Corporation. The Province of Ontario also reimbursed the Corporation for these costs. Consequently, the right to these funds between the Province and the Corporation is uncertain. The Ministry of Agriculture and Food will bring this matter to the attention of the Ministry of Finance for resolution.

18. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

Notes:

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